

TO: Chairman and Members

DATE: January 13, 2011

**SUBJECT: SB 81 Local Youthful Offender Rehabilitative
Facilities Construction Financing Program
Match Reduction**

AGENDA ITEM: F

**ACTION: X
INFORMATION:**

RESOURCE PERSON: Charlene Aboytes

Summary:

This agenda item requests the Board's approval of a reduction in the overall match for conditionally awarded counties that submitted greater than 25 percent match in their proposals for the Senate Bill (SB) 81 Local Youthful Offender Rehabilitative Facilities Construction Financing Program Request for Proposals released on July 15, 2008 if their reduction can be accomplished with no change in project scope or increase in state funds.

This agenda item also requests the Board's approval of a reduction in cash match for any currently awarded county under SB 81 Local Youthful Offender Rehabilitative Facilities Construction Financing Program Request for Proposals released on July 15, 2008, provided their reduction can be accomplished without change in project scope or increase in state dollars, and keeping within the minimum prescribed cash match percentages already established for this process.

Background:

The 2007 Budget Act, signed by Governor Arnold Schwarzenegger in August 2007 included funding to implement the Local Youthful Offender Rehabilitative Facility Construction Financing Program authorized by SB 81. This legislation (and subsequently Welfare and Institutions Code §1973) included \$100 million in lease-revenue bond financing for the construction of local youthful offender rehabilitative facilities. In addition, Welfare and Institutions Code §1976 states that "Participating county matching funds for projects funded under this article shall be a minimum of 25 percent of the total project costs. The authority may reduce matching fund requirements for participating counties with a general population below 200,000 upon petition by a participating county to the authority requesting a lower level of matching funds." (See Attachment A.)

A Request for Proposals (RFP) was released to the field on July 15, 2008 with a due date back to the Corrections Standards Authority (CSA) on January 6, 2009. Among other requirements, the RFP (and subsequent Title 15 regulations) stipulated that large counties must provide a minimum of 10 percent in cash match and medium and small counties must provide a minimum of 5 percent in cash match as part of their of the 25 percent match requirement. (See Attachments B and C.)

The SB 81 RFP was a competitive process and as of the November 2010 CSA Board meeting, all 14 counties on the SB 81 funding list have been awarded. (See Attachment D.)

On a parallel track, CSA staff has been administering the AB 900 Local Jail Construction Funding Program. You may recall, at the May 2010 meeting, the Corrections Standards Authority Board took action to allow currently awarded AB 900 counties that are overmatched (beyond the legislated 25 percent minimum match requirement), the ability to reduce their overall match (cash match plus

in-kind match) to within the minimum allowances established in code and regulations, and while staying with their original scope of work as defined in their proposal to this Board. The Board's May action was helpful to the counties that came into the jail financing process with greater than the 25 percent minimum match requirement and was a recognition of the current financial climate, including reduced construction cost estimates.

At the July 2010 Board meeting, the Board agreed to allow a reduction in the cash match amount for any eligible AB 900 county as may be applicable and within the established minimums, as dictated in Government Code and regulations.

With respect to the SB 81 counties, six counties (Alameda, Los Angeles, Monterey, Santa Clara, Santa Cruz and Stanislaus) are overmatched. (See Attachment E.) This agenda item will allow the overmatched SB 81 counties to reduce their overall match contribution to be in line with actual project costs which may be lower than they were two years ago when the counties submitted their proposals. This action will allow those counties to obtain a greater amount of their award while decreasing their match contribution. Otherwise, the state and county would share pro-rata any project savings – reduced match dollars and reduced state dollar contribution.

The remaining counties that are not overmatched beyond the 25 percent minimum may be able to benefit from a reduction in their originally proposed cash match percentage. This would be done while still maintaining the original project scope and meeting the legislated 25 percent minimum where applicable. Further, in line with the Board's previous action, counties would still be held to the minimums established in the RFP and subsequent regulations – minimum ten percent cash match for large counties, and minimum five percent cash match for small and medium counties.

This agenda item was brought forward to assure consistency and equity between the SB 81 and the AB 900 construction programs.

CDCR Legal staff is available to answer any questions from the Board.

Recommendation/Action Needed:

1. Staff recommends the Board reduce the overall match amount for any eligible counties, and as may be applicable, to the minimum 25 percent match requirement.
2. Staff recommends the Board allow a reduction in the cash match amount for any eligible county as may be applicable and within the established minimums, as dictated in Welfare and Institutions Code and regulations.